THE

Saint Paul, Minneapolis and Manitoba Railway Company

AS

AN INVESTMENT PROPERTY.

PRIVATELY PRINTED FOR

LEE, HIGGINSON & CO.,

BOSTON.

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PREFACE.

39 Court Street,

Boston, December, 1885.

Messrs. Lee, Higginson & Co.: —

Gentlemen, — There has been here some increase of inquiry about the Manitoba Railway Company as an investment. Accordingly, at your request, I have abbreviated and partly revised the Private Report which I made June 1, 1885, after my first examination of the property; and I now submit for your use so much of it as seems likely to be useful. Two subsequent examinations — the latter in October — have increased my confidence in the facts which I herewith present.

Yours very truly,

HENRY D. MINOT.

ST. PAUL, MINNEAPOLIS AND MANITOBA RAILWAY,

DECEMBER 15, 1883.

My general conclusions about this property are: —

(1.) The company's titles to its present lines and lands seem on their face clear, and the legal opinions had upon them are satisfactory. Its charter has some strong features, especially the fixity of taxation.

(2.) There are 1,500 miles in good position and condition, and especially favored by low grades. The elements of operation are favorable to economy and cheapness, except the fuel supply. The equipment is good and sufficient. The terminals at St. Paul and Minneapolis, and the Short Line between, are exceptionally valuable. These two cities now have over 100,000 inhabitants apiece.

(3.) I estimate the present worth of the lands unsold at not less than $6,000,000. Four hundred thousand acres are in dispute with the Northern Pacific, but seem by equity to vest in the Manitoba. The contracts outstanding are nearly $2,000,000.

(4.) The gross funded debt is about $32,000,000, plus $2,000,000 Minneapolis Union Bonds guaranteed. The consolidated mortgage will admit of $18,000,000 more bonds on new mileage, plus the replacement of any prior bonds redeemed and cancelled. The stock is $20,000,000. The available cash assets of all kinds are some $3,000,000,

including the reserve fund. The property is selling in the market at $30,000 or less a mile.

(5.) The net earning capacity may now be put at $4,500,000 a year, and fixed charges at from $2,000,000 to $2,100,000. The grain rates are reasonable and politic; and the local tariff is in some respects lower than that of any other Western system. The average rate on all freight is about 1½ cents a ton-mile.

(6.) I have discovered no embarrassing contracts or accounts. Valuable rentals are derived from the company's terminals.

(7.) The Manitoba system is compact, and has great strategic advantages, especially in its connections with Lake Superior, and in the volume of traffic that it brings to Minneapolis. It gives the millers there three-fourths of their grain supply, and of the highest quality. It can develop much increase of business on its present lines, and also in time make some profitable extensions.

(8.) The management has been shrewd and efficient. Some mistakes have been made; but there are not obviously to-day any serious "outs."

The following details are in numbered sections, arranged by topics in the above order: —

Historical Items.

Section 1. Poor's Manual gives an essentially correct history of the corporation. The land grant was given by Congress to the Territory of Minnesota, for railroad aid. By Minnesota it was given to the Minnesota & Pacific Railroad, afterwards succeeded, with legislative sanction, by the St. Paul & Pacific, which in 1879 was foreclosed, and

reorganized into the present company. The original territorial charter has been specially confirmed and reiterated by the State Legislature, in Chapter 412, enacted March 7, 1881, recognizing and declaring the Manitoba's title to all the rights and privileges. Chief among these is an annual tax of 3 per cent. maximum on the gross earnings, in lieu of all other taxes and assessments whatsoever. Also the right to fix and levy tolls and rates at discretion. The question arises whether this latter provision, antedating the State organization, and accepted by it in the general and special confirmation of the Territorial Act, is precluded from interference by the legislature or the courts. The directors are fixed at seven, and the capital stock limited to $20,000,000.

The foreclosures were made in 1879, covering the St. Paul & Pacific, and also the S.P. & P. First Division, an auxiliary corporation. Bondholders, representing the various mortgages outstanding, brought suit to vacate the proceedings. These bills were dismissed from the Circuit Court of the United States, in the District of Minnesota, one by Justice Miller in June, 1880, as is given in Volume 5 of Dillon's Reports, page 531, and in Volume 1, of McCrary's Reports, page 456, and others in a decision rendered by Judge Treat in July, 1882. Other suits by the same parties had the same result. The property has since been extended by purchases and consolidation, such as authorized by charter, and by extensions under the general laws of Minnesota or Dakota; these are all merged in one organization. Some former branches have been conveyed in exchange to the Northern Pacific; and the two lines extending from the international boundary to Winnipeg have been conveyed to the Canadian Pacific. The original land-grant lines obtained by foreclosure are the East-side line, extending from St. Paul

to St. Vincent, and the Breckenridge Division, extending from Minneapolis to Barnesville.

There appears to have been plenty of good money put into the property, and no watering except by the first issue of consolidated bonds, of which the stockholders were given $10,000,000 par value for 10 per cent. in cash. This issue, and an increase of capital stock at par from $15,000,000 to $20,000,000, were made in 1883. The dividends, reckoning by the fiscal years ending June 30, have been 6½ per cent. for the year ending in 1882; 9½ per cent. for 1883; and 8 per cent. for 1884. For 1885 they will amount to 6½ per cent., having been 1½ per cent. quarterly since August, 1884, when 2 per cent. was paid. No dividends were paid during the first two years after reorganization. The history of the stock in the New York market begins with 67 in October, 1880. It rose to 169½ (rights on) in April, 1883; and fell to 76 in October, 1884. Recently it has sold at from 105 to 110. The above rights were for one new share at par for three old, and afterwards, on the increased capital, for 50 per cent. in bonds at par, to which 10 per cent. was subscribed in cash.

Physical Condition.

Section 2. There are now some 1,500 miles, with about 25 miles of second track from St. Paul to Minneapolis and Lake Minnetonka, and with some 200 miles of siding. Of this, May 1, two-thirds were in steel of 56 pounds; and this year, out of 8,000 tons on hand and paid for, enough has been added to put in steel all the main line over which traffic is very heavy. And nearly all this is, or will soon be, well ballasted. The grades are good, and practi-

cally can be reduced to six-tenths grades throughout the system. The highest grades existing are practically 1¼ per cent. There are two short pulls of 80 odd feet, one of them out of St. Paul, and less easily remedied. 950 miles have a maximum of one-half per cent. The curvature is either slight or moderate throughout.

The finest quality of oak ties is abundant at 30 cents. Wood is no longer used as fuel, although coal (Pennsylvania) does not reach the company's line at less than double the cost to some Western roads more favorably placed. The bridging is remarkably little; and the company's openness of lines has saved them from much heavy work in winter. The water, however, is troublesome, being generally akaline. Good stone and brick are cheaply had for building. Labor is comparatively cheap, except in summer; and altogether the conditions are favorable for a low cost of operation.

The equipment is good and sufficient. The locomotives are three-quarters of recent date and good power. They are over 200, or one to every seven miles. Their average earnings last year were over $40,000 apiece. Of passenger-cars there are 120, including the company's own sleepers. Of freight-cars there are some 5,000. Of the box-cars the large majority are 33 feet long, with 20-ton capacity.[1] The mileage earnings are in favor of the company, although, owing to the operation of the Minnesota Transfer, there is less interchange than usual with foreign roads.

The yards, buildings, and shops are commendable, and pretty complete; the chief needs are of car-houses in St. Paul, and of new freight-houses in Minneapolis. Of special value are the terminals and real-estate holdings of the com-

[1] Since the annual meeting, in August, favorable contracts have been made for a considerable tonnage of steel rails, and 400 new box-cars.

pany in St. Paul and Minneapolis. The line between the two cities is very direct, and has a first-rate location. It is free, and likely to continue free, from crossings at grade, either of other roads or of highways. Of the latter there are but three, and one is about to be done away with. The two cities now allow the Manitoba to run its trains at good speed within their limits. The right of way on the Short Line, and the overhead bridges, admit of five parallel tracks.

The company owns a one-fifth undivided interest in the St. Paul union depot, having ten tracks (eight of them alongside of platforms), of which the Manitoba retains by deed the two or three northernmost tracks next the city, those being accessible by an independent connection with its own line. The third track, it is provided, shall belong to the Manitoba only while it may give other railroads access to the depot by running arrangements over its own road. The company has also a one-fifth undivided interest in the 160 acres of the Minnesota Transfer and Stock Yard. It owns all the stock of the Minneapolis Union Railway, which property includes the Minneapolis union depot, with five tracks under cover, and the stone bridge across the Mississippi River, just below the falls. The financial details of these investments I give in Section 4. The company holds in its own right within the two cities, and remarkably well placed, nearly 300 acres, of which some 150 are outside the company's present needs.

It is to be noted, the company has a line of its own through Minneapolis, and a good location there, independently of the Minneapolis Union. The Union Company has some valuable lots, practically standing to-day as a surplus investment.

Land Grant.

Section 3. The St. Paul & Pacific grant was for ten alternate sections in width, with double that for indemnity. The following figures are of June, 1885: —

The company claims for this grant .	3,848,000	acres
It has received under patents . .	2,880,000	"
Of these the S.P. & P. sold over .	819,000	"
The S.P., M. & M. has sold to date about	805,000	"
This leaves patented and unsold about .	1,256,000	"
Of which there are in dispute . .	410,000	"
Of which latter have been sold . .	201,000	"

These disputed lands are claimed by the Northern Pacific Company, which, nevertheless, when it owned the St. Paul & Pacific Railroad, and the directors were in common, issued bonds of the latter company, based in part upon these very lands, which were pledged as a mortgage security to creditors of the St. Paul & Pacific Road. The suit, which has long been pending, comes up presently before the United States Circuit Court in Minnesota. Meanwhile a special Commissioner, acting as Trustee, has made sales amounting to over a million of dollars, and holds in cash net receipts over $300,000.

The St. P., M. & Manitoba Road also holds, by virtue of its St. Cloud & Hinckley line, a claim against the State of ten sections to the mile on that line, to be made good out of any of the State's swamp lands, some of which are known to contain valuable timber. Should the company extend this line under the charter to Superior, some 70 miles,

it would be entitled to four sections to the mile. It also controls a charter for a line from St. Cloud southward, to Litchfield or Willmar, on the Breckenridge Division, to which four sections a mile would attach, to be made good similarly out of any lands in the State.

The St. Cloud & Hinckley Division is at present 67½ miles. The lands belonging to it are entered on the company's books at about $650,000, or $1.33 an acre; this amount to be made good or bettered as opportunity offers. They are managed independently of the Land Department, and have not yet been sold.

As to the land grant proper there seems to be no flaw. The Manitoba's sales averaged the first year $3.78 an acre; this past year, $5.40; in all to date, $5.16; cancellations to date have amounted to about 6 per cent. of the sales. The sales for ten months, to April 30, 1885, have amounted to 47,000 acres for $223,000, against 60,000 acres for $347,000, the year before; and the receipts have been $336,000 against $390,000. The contracts outstanding May 1 were $1,942,700.[1] I believe the lands to be well located and nearly all good. I class them roughly as follows: —

Timber lands, say	400,000	acres
Park and prairie lands	400,000	"
Valley lands	300,000	"
Contingent	900,000	"
Total, excluding swamp lands	2,000,000	"

The lands are sold on seven-year contracts at 7 per cent., and nearly all in comparatively small lots, to *bona-fide* settlers. Most of the valley lands hitherto have been sold

[1] Compare the Annual Report for the fiscal year ending June 30, 1885.

uniformly at $3.00 an acre, with a contract for immediate cultivation. The settlers are chiefly farmers from the older States, but there is a large Scandinavian element.

The net receipts go into trust for the redemption of the original land-grant bonds, of which some $5,000,000 are outstanding, subject to call at 105 and interest; and, after their extinction, into a sinking-fund for the consolidated bonds, on which no limit is set as to the price of purchase and redemption, beyond a stipulation for fair bids, and due regard to market price. The Central Trust Company of New York is Trustee.

Financial Condition.

Section 4. There is no floating debt. In *round* numbers the funded debt stands roughly as follows:—

Land Grant 7 per cent. bonds	$5,000,000
S.P. & P. 7's	350,000
Dakota Extension 6's	5,650,000
Second Mortgage 6's	8,000,000
Consolidated 6's	13,000,000
Total issued	$32,000,000

The Dakota Extension Bonds were issued for $12,000 a mile. The Consols were issued in 1883, and run for 50 years. They are limited to $50,000,000, of which enough have been set aside to cancel and replace all prior issues on redemption or at maturity, including the Land-Grant Bonds (but, perhaps, not $366,000 of another old issue of even date); and no further issue of Consols can now be made except for new construction at the rate of $15,000 a mile, with an option of $12,000 a mile additional for double track.

But acquisitions by purchase or consolidation may be treated as new construction, due regard being had to any prior liens existing.

The Central Trust Company of New York is Trustee under the mortgage. Note that the retirement of the Land-Grant Bonds will allow an optional issue of $5,000,000 Consols in their place. At least, I so interpret.

The gross funded debt comes to less than $22,000 a mile; and the net funded debt, allowing for all the available assets against it, may not be over $15,000 a mile.

The capital stock is $20,000,000, which at 110 would come to $15,000 a mile more, making the total market price of the property some $30,000 a mile.

Among the available assets, not permanent investments, I reckon the stocks of other companies, worth say . $750,000

Outside real estate	$350,000
Treasury bonds and stock	$150,000
Reserve fund in bonds at par	$900,000

A total of over $2,000,000, to which must be added a goodly cash surplus.

The reserve fund in New York is $901,000 of the company's consolidated bonds taken at par, and now selling in the New York market at 15 per cent. premium; also some large loans and deposits beyond what is sufficient to meet current liabilities and the January coupons. The company owns 1,200 acres of coal land in Iowa, not now much drawn upon; and a large tract of oak timber already reached by rail, but not yet used, being 30,000 acres in Minnesota; also a one-half interest in an iron foundry at St. Paul. It owns one-fifth of $300,000 of St. Paul Union Depot Stock, subject to $250,000 of mortgage bonds; [1] one-fifth of the

[1] These figures are of May, 1885, and subject to modification.

Minnesota Transfer, 160 acres; and all the stock, $750,000, of the Minneapolis Union Railway, subject to some $2,000-000 six per cent. mortgage bonds. The cost of this last property, up to May, has been $2,400,000. The Manitoba Road has no investment in the elevators along its line. These are owned by three different elevator companies and various individuals. It runs its own sleeping-cars, but does no express or telegraph business on its own account.

The Manitoba has guaranteed the bonds of the Minneapolis Union, some $2,000,000 mortgage sixes, issue limited to $3,000,000. The interest on these hitherto has been made good out of rentals. Long contracts now outstanding cover 4½ per cent. on them; the remaining 1½ per cent. ($30,000) may fall on the Manitoba.

I have figured the market prices per mile, December, 1885, of the chief railroad *systems*[1] of the North-west about as follows: —

Northern Pacific	$40,000
Chicago, Burlington & Quincy . .	$36,500
Chicago & North-western . . .	$33,500
Chicago, Milwaukee & St. Paul. .	$31,500
St. Paul, Minneapolis & Manitoba .	$30,000

These figures I have arrived at by taking the funded debt and notes at par, less surplus cash, sinking-funds, certain treasury securities, and all land-grant assets (including lands unsold, arbitrarily though fairly estimated at their present worth), and by adding the stocks outstanding at their current prices. The *net* funded debt

[1] *I. e.*, the whole systems, independently of corporate distinctions or of annual reports, and including all outstanding liabilities, whether direct or indirect.

per mile stands roughly as: Northern Pacific, $26,000; St. Paul, $20,500; North-western, $19,000; Chicago, Burlington & Quincy, $15,500; and Manitoba, $15,000.

Earnings and Traffic.

Section 5. Since the reorganization the earnings of the Manitoba for the fiscal years ending June 30 have been (rounded off): —

Years.	Gross.	Per Mile.	Net.	Per Cent.
1880 . .	$2,885,350	$4,400	$1,500,000	52½
1881 . .	3,700,850	4,954	1,837,800	50
1882 . .	6,629,700	7,159	3,113,900	47
1883 . .	9,148,500	7,604	4,553,450	50
1884 . .	8,256,850	5,991	4,327,450	52½
1885 . .	7,776,150	5,329	4,266,250	55

The maximum was reached in 1883, with the Winnipeg boom, when the Canadian Pacific was importing all the construction materials for its Western Divisions over the Manitoba Road, and had not yet its own line completed to the eastward to Thunder Bay, on Lake Superior. It now has an all-rail line between Montreal and Winnipeg, and through to the Pacific coast. The whole will be operated next spring.

The last Annual Report showed about 12 per cent. net earned upon the stock, and *fairly* earned. This autumn has produced a grain crop equal in quantity to last year's, though of less high grade; it has brought, to the farmers, prices from 30 to 40 per cent. better than those of a year ago; and it has been exceptionally favorable to out-door work, so that more ploughing and

better ploughing has been accomplished than ever before along the Manitoba Railway lines. Owing to some delay in the movement of the grain, the company's gross earnings to date show some small falling off from last season's; but the net earnings recently give good promise for the results of the present fiscal year, with a fair chance that they will compare favorably with all precedents. For this fiscal year, the fixed charges, on the present basis, will be roundly $2,000,000, while 6 per cent. dividends would be $1,200,000, making an aggregate of $3,200,000 charges.

Were the road to maintain practically its present system, and to continue as free of difficulties as now, the average earning capacity for the next three years might, perhaps, be put at $9,000,000 gross, and at $4,500,000 net, after allowing for all *ordinary* renewals, improvements, and betterments. This would mean 12 per cent. earned annually upon the stock, or a surplus, above 7 per cent. dividends, of $1,000,000, to go back into the property.

The elements of competition and extension are considered in Section 7. Viewing the property independently, as it stands to-day, the questions of traffic and rates are important. The company's own tonnage of materials and supplies does not appear in the report of gross earnings.

The passenger business represents about one-fifth of the gross earnings. It is pretty even east and west. For 1884 it averaged about $1.45 a passenger, and 3 cents a mile. About eight per cent. of the mileage was done on passes, excluding those of employés.

The commercial ton-mileage for 1884 was over 250,000,000, with an average haul of 192 miles, and a nominal average rate of 1.79 cents (reduced in 1885 to 1.52).

The tonnage for 1884 amounted to 1,318,000 tons, of which grain and agricultural products were 53 per cent.; forest products, 22 per cent.; merchandise, etc., 14 per cent.; coal and mineral products, 10 per cent.; live stock 1 per cent. The grain hauled the present fiscal year should be 25,000,000 bushels or more.

The tariff on grain compares very favorably with that of other north-western roads, and has wisely been reduced from time to time. A ten per cent. reduction was made last year before the crop movement began, and may be made again next summer. Merchandise rates undoubtedly are high; and altogether, looking ahead three years, it is not safe to reckon on a higher average than 1.30 cents a ton-mile. The only pooling done is with the Northern Pacific at common points.

While labor is economically used, wages are good. Engineers average $3.60, and others proportionally. Track labor is cheaply had in the spring months before harvest work begins, and when it can be employed to the most advantage. At other seasons the average is not over one section man to every two miles. The general office expenses run about $10,000 a month.

The locomotive performance shows great expense for fuel. For 1884 the average ran as follows: —

Fuel (32 miles to the ton)	14.15	cents	per mile.
Wages	7.89	"	"
Repairs	5.89	"	"
Stores	.65	"	"
Total	28.58	"	"

On a basis of gross earnings of nearly $6,000 a mile, the

expenses per mile, and in per cent. of gross receipts, have been as follows: —

	Per Mile.	Per Cent.
Transportation	$650 00	11
Motive-power	650 00	11
Maintenance of way, etc.	830 00	14
Maintenance of cars	270 00	$4\frac{1}{2}$
General expenses	310 00	5
Total operating expenses	$2,710 00	$45\frac{1}{2}$
Taxes in all (to be 3 per cent. by and by)		2
Total		$47\frac{1}{2}$

Contracts.

Section 6. The chief contracts are in relation to terminals in St. Paul and Minneapolis, and to the Short Line between. They are generally for stated periods, and at some fixed annual percentage on an agreed valuation, subject to revaluation for improvements; also allowing for maintenance on a wheelage basis. In some cases, as with the Wisconsin Central, there is a terminal charge for each car and engine entering over the Manitoba track. One of the freight-houses in St. Paul is temporarily leased to the Minneapolis & St. Louis. The Manitoba in all cases makes some restrictions for the benefit of its own local traffic. Having reserved to itself by deed certain tracks in the St. Paul union depot, and owning itself the entire Minneapolis Union, it can afford any new line entering those cities nearly all the needful facilities, although it could not wisely lease its present freight facilities in part to another corporation for a longer term than three years.

Political and Industrial Status.

Section 7. Favorable features of the Manitoba property are the compactness of its system; its double base for eastern traffic,—one at Minneapolis or St. Paul, and the other at the head of Lake Superior; and finally its strong hold upon a strong region of which to-day probably not more than one-fifth is yet under cultivation. Its position, both strategetically and commercially, seems good. Its lines, while lying so thick in the Red River valley, are not, save at a few points, a hindrance one to another. (Some of the branch feeders I have not examined.)

The Manitoba lines at present supply to the Minneapolis millers at least three-fourths of their grain; this grain is of such a high quality, in the high proportion of gluten and low proportion of starch, that none other makes so much or such good flour. $4\frac{1}{2}$ bushels make a barrel. The excellence of this hard spring wheat No. 1 is evidently due to the peculiarity of the soil; the surface soil is alluvial loam from 6 inches to 6 feet in depth, while the subsoil is a strongly alkaline marl or clay, favorable to the wheat, not only because of its chemical properties, but because of its capacity for keeping the upper soil moist, and capable of enduring great droughts without fatality to vegetation. The heavy crop of 1883 had survived a two months' drought, lasting from May into July. The Red River, flowing northward, is longer ice-bound and later backed up than the streams which flow into the Missouri, such as the James River. The planting, therefore, is two weeks later; but the very long summer days of that high latitude, with the heat of the sun falling at a comparatively low angle, give the grain, when supplied with moisture enough, a strong and rapid growth. It is

safe, I think, to put the average yield at 20 bushels, of 60 pounds each.

While it is true that the wheat crop of the United States is being crowded more and more into the north-west, it is a mistake to suppose that wheat is bound to be, as hitherto it has been, pretty much the sole product of an extensive region, including the Red River valley. Corn can be grown only in the southerly corners of Minnesota and Dakota; but in the northern part, flax, barley, oats, potatoes, and other crops do excellently well, while good grass and hay are so abundant that the question of profitable stock-raising seems to be a question principally of shelter and storage during the severe winters. Excellent results have already been shown in the Chicago fat-stock show, at which, this year, Minnesota cattle took some of the best prizes.[1] The dead low price of wheat in 1884, was an undoubted benefit to the farmers of the north-west, by teaching them that labor, and variety of interest, are essential to any lasting prosperity. Much of the farming now is bad, and a more general system of fallowing is especially needed for the protection of the land, or else a more systematic rotation of crops. Three questions wholly undetermined are these: How enduring are the native qualities of the soil? What are the chances of disasters hitherto unknown, such as insect ravages? And how far westward can the line of cultivation be successfully extended?

Minnesota gets a good lumber supply both from the north-eastern part of her own territory and from Lake Superior; and even in Dakota the streams generally are quite well fringed with timber enough to afford local fuel to the farming population. No good coal has yet been discovered.

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[1] See Bradstreet's, Nov. 14, 1885, pages 308 and 309.

While the Northern Pacific carries most of its grain to Duluth, the Manitoba carries its wheat to Minneapolis, except when that is full. Of the wheat centring in this market, 90 per cent. goes out as flour. The shipments do not vary much with the seasons. Of the shipments, in the summer season, 80 per cent. goes by lake, of which three-quarters now goes first by rail to Milwaukee or Chicago, being attracted there both by the speculative markets and by the greater ease of lake shipment, vessels being more abundant in these harbors on account of the larger import trade coming to them. The actual lake-rates from Chicago and Duluth do not average far apart. Duluth, however, is gaining rapidly, and commands a higher price for first-rate wheat.

The elevator capacities now stand about as follows: —

Duluth, 9,500,000 bushels; St. Paul, 1,500,000; Minneapolis 10,000,000; while Milwaukee has 12,000,000, and Chicago 22,000,000.[1] The flour capacity of the Minneapolis mills is at least 25,000 barrels a day, while the annual product is about 6,000,000 barrels. Of this, one-third goes to foreign export. The business exchanged at the Minnesota Transfer last year averaged over 100,000,000 tons a month.

In a fight with any of its neighbors the Manitoba would have two weapons: first, the possibility of extending its Brown's Valley line, or similar lines, into a country now occupied by these companies, or, at least, open before them; and, secondly, the power to make such rates as would throw its grain traffic to Duluth or Superior, instead of to Minneapolis, where these other roads now get the benefit of it, and such rates as would be impracticable for the Chicago lines.

The Manitoba already has optional running rights over

[1] So quoted at Minneapolis (May, 1885).

the Northern Pacific Branch, between Morris and Sauk Rapids, points on its two main lines; also between Wahpeton and Fergus Falls; and is likely to build, for local development, cross-lines between Willmar or Litchfield and St. Cloud, and also from Anoka to a point on its St. Cloud & Hinckley line. It will then be in a position to throw traffic from any part of its territory to Duluth; and could, moreover, were it forced to, extend its own line from Hinckley to Superior, where it has already secured a large tract of land, very well placed on the Bay of St. Louis, and connecting immediately with the Northern Pacific bridge over to Duluth, this bridge being open under contract to the use of other companies. This line might be built with a maximum of six-tenths grades.

Some local extensions will soon be needed, and can profitably be made, tributary to the Manitoba's present lines, affording them a good haul to Minneapolis and St. Paul, or to Duluth.

The north-eastern parts of Minnesota are largely taken up with rough swamps and timber-lands, well served by streams, and not inviting to railroads.

Management and Policy.

Section 8. There certainly have been great shrewdness and sagacity, as well as activity, in the development of the system. It has been worked in the hands of a man intimate with the country and its possibilities, and living on the ground. So far, the progress and prosperity of the country have for some time been rapid and continuous. A prudent consideration is, how the railroad would stand, in the event of a general set-back in that country by any unforeseen change

or disaster. The past fiscal year has been in some measure a test of the company's strength. It has gone slow and done well. The President and the General Manager deserve great credit for the thoroughness and good sense with which they have brought the property from its low state in 1880 into good condition and efficiency. There seems little in its present physical status that is questionable or extravagant.

In a somewhat cursory examination of the general railroad laws of Minnesota and Dakota, and of the present attitude of the Railroad Commissioners and the two Legislatures, I discovered nothing obnoxious or threatening. The Legislature of Minnesota has become biennial, and will not be in session this next winter, as the Governor has vetoed the proposition to convene it.

HENRY D. MINOT.